

Testimony before the House Committee on Government Reform

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I am pleased to appear before the House Committee on Government Reform and share with you the story of TIAA-CREF's developing customer service model. TIAA-CREF, a diversified national financial services company with \$280 billion in assets under management, is perhaps best known for its pioneering portable pension system for the nonprofit education and research communities. Today TIAA-CREF is the premier pension system for people employed in higher education, serving nearly three million participants at over 11,000 U.S. colleges, universities, and related nonprofit research organizations.

Over TIAA-CREF's 85-year history, it has learned many lessons and accrued much experience in managing and administering one of the world's largest financial services organizations. As the world's largest private, defined contribution pension system, TIAA-CREF strives to fulfill its responsibilities to customers -- institutions and individuals alike -- in accord with the highest possible standards in all regards.

Every aspect of the operation gets top priority -- from premium billing and accounting, to portfolio management and crediting investment earnings, to paying out lifetime income benefits in retirement. TIAA-CREF employees understand that how we manage the pension system today can have long-lasting impact on the pocketbooks of the millions of individuals who entrust the financial management and stewardship of their retirement savings to TIAA-CREF.

Foremost among TIAA-CREF's priorities is to deliver top-notch customer service. This means being accessible to customers, communicating effectively with them, and handling their service questions and concerns with dispatch, honesty and accuracy at all times.

HOW TIAA-CREF'S SERVICE MODEL EVOLVED

TIAA-CREF is a company of firsts. Our commitment to selling quality products at a fair price to a growing customer base compelled us to look at alternative delivery and service methods. TIAA was established in 1918 with the unique mission of providing retirement benefits to higher education. CREF, a companion organization to TIAA, was founded in 1952 to

offer retirement annuities based on investments in common stock and issued the first variable annuities in the United States. More recently, TIAA-CREF was one of the first financial services firms to give its customers a broadly available, secure transactional Web site.

TIAA-CREF has never relied on a large, commissioned sales force. With a non-commissioned sales force far smaller than sales forces of the majority of our competitors, we have remained at the top of our industry. Our success lies in effective use of three key communication methods:

- Direct personal contact with participants;
- Increased use of sophisticated telecommunications systems; and,
- Extensive use of Internet-based technology.

Although TIAA-CREF has been in business for 85 years, combining a clear vision of our service model with the use of emerging technology and an emphasis on training has kept us going strong into the 21st century. In fact, our commitment to training as the underlying basis for customer service is so strong that our telephone counselors must successfully complete a four-month training program before they answer a customer phone call.

THE EARLY YEARS

Direct Customer Contact

Up through the 1970s, our main method of communication with customers was direct contact through our institutional consultants, based TIAA-CREF's New York home office headquarters. Consultants also visited institutions across the U.S. to assist them in establishing retirement and tax-deferred annuity (TDA) plans tailored to their needs. Individuals looked to us to explain their institution's plan and to update them on TIAA-CREF's products. In between our visits on campus, institutional and individual plan participants could write to TIAA-CREF with their questions and service requests, or call us collect.

Today, TIAA-CREF's customer service platform relies heavily on sophisticated technology. But we have not lost sight of the value of face-to-face contact with our participants. We have increased the number of local offices and consultants that make in-person visits. TIAA-CREF has 23 local offices around the country -- and more to come - - all dedicated to working personally with institutions and their employees.

TECHNOLOGY SPEEDS UP THE SERVICE MODEL

Telephone Service

Telephone Counseling Centers

In response to customers' needs for more immediate information access, we added a toll-free Telephone Counseling Center in the early 1980s. This Center is still a mainstay of our customer service model today. Non-commissioned individual consultants – all registered representatives --are available from 8:00 AM to 10 PM, Monday through Friday, and from 9 AM to 6 PM on Saturdays. What started as a staff of ten consultants has grown to nearly 340 telephone consultants serving participants nationwide, and operating out of three sites: Charlotte, Denver and New York. This structure allows us to serve more people, work across multiple time zones and provide for business continuity in case of weather emergencies or catastrophic events.

During 2002, consultants in the Center fielded approximately 1.8 million calls. Seventy-one percent of all calls were answered within 30 seconds and all calls were answered within 39 seconds. The average length of a call is approximately 7 ½ minutes and total call processing time is roughly 11 minutes.

Automated Telephone Service

Even before the success of the toll-free Telephone Counseling Center, TIAA-CREF offered customers transactional ability through a new Automated Telephone Service, introduced in the early 1980s. For the first time, customers had 24-hour access to their account balances, the ability to make transfers among their TIAA and CREF accounts and to change their premium allocations, all at the touch of their telephone keypad, using their PIN (personal identification number).

Despite the allure of efficient, automated telephone systems, at times we have all wondered, “What do I have to do to speak with a real person?” TIAA-CREF’s automated phone system also gives our customers access to consultants during business hours on weekdays and during the day on Saturday.

During 2002, over 2,000,000 calls were received by the automated system. Another 805,000 were fielded by one of the representatives staffing the Automated Telephone Service, with roughly half of those calls attributable to fall-through from the automated service.

Web Center

Those in the education and research arena were among the first to embrace the Internet as a valuable research and communications tool, so it was only natural for them to welcome TIAA-CREF's secure, transactional Web site. Launched in 1996, it enables participants to execute business through the Internet. They can make transfers among their TIAA and CREF accounts, change the allocation of future contributions, make beneficiary and address changes, calculate income projections, check on the status of service requests and loan requests, and enroll in plans electronically. The Web Center is continuously being updated, both in terms of its content and functionality.

For the first six months of 2003, participants made 10,607,000 secure inquiries through the Web site, over 50% more than during the same time frame in 2002. In addition, participants effected nearly 275,000 transactions on our Web Center during the first six months of this year.

TRAINING

TIAA-CREF uses training, on-the job-monitoring and client surveys to ensure that our points of client contact measure up to the expectations of our current and prospective clients. It all starts with training.

As I mentioned earlier, TIAA-CREF consultants participate in a four-month core training program. This intensive program covers our products and services, our corporate culture and history, and our service quality standards. Consultants must obtain positive evaluations from several managers before they have contact with clients.

Our phone service centers are staffed by professionals. All are registered representatives and most hold additional professional certifications as well. To ensure that our consultants are always current, TIAA-CREF's "continuing education" program tutors our consultants on product and service enhancements and relevant regulatory changes.

TIAA-CREF also has a consultant monitoring program in place. We randomly monitor one percent of the calls received each quarter and assess the caliber of service. Again,

consultants are monitored and assessed by several managers. Consultants receive feedback within 48 hours of the assessment. These assessments are tied not only to consultants' performance appraisals but to compensation and promotions as well.

TIAA-CREF customers tell us how we're doing through a series of service quality surveys of some 5,000 individual and institutional clients. More than 20 of the services we offer are evaluated, such as account transfers, allocation changes, tax reporting, telephone counseling experiences, and one-on-one counseling sessions with our consultants. Survey results influence changes and enhancements to our products and services, and are one of the factors influencing the results of TIAA-CREF's compensation programs.

These internal training and monitoring efforts complement TIAA-CREF's extensive investor education program for participants, helping them understand how to use their TIAA-CREF options and flexibilities.

Conclusion

To successfully serve our customers, we rely on all of these systems: direct contact, telephone systems and the Internet. University professors generally have easy access to the Internet and constantly push us to drive more information to the Web. However, other clients, such as hospital employees or K-12 teachers may not have 24-hour computer access and find it easier to use the telephone for counseling or account information. Still, there are times when everyone needs to sit down and talk to someone about his or her plan.

Knowing and responding to the needs of our customers in a way that works for them reinforces their confidence in TIAA-CREF. The trust our clients have in the integrity of TIAA-CREF and our commitment to them is one of TIAA-CREF's most valued and valuable assets.

We appreciate the opportunity to share TIAA-CREF's experiences in increasing customer access.